

PUBLIC DISCLOSURE

February 19, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WASHINGTON SAVINGS BANK

**30 MIDDLESEX STREET
LOWELL, MA 01852**

**DIVISION OF BANKS
1000 Washington Street
Boston, MA 02118**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Washington Savings Bank (or the “Bank”)** prepared by the Division, the institution's supervisory agency as of February 19, 2013. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution’s branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated “Outstanding.”

An institution in this group has an excellent record of helping to meet the credit needs of its assessment area, including low and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. A review of the institution’s community development loans, investments, and services was conducted at the request of the institution and the performance supported the overall rating. The following summarizes the Bank’s performance:

- The Bank’s average loan-to-deposit ratio (75.5 percent) is reasonable, given the institution’s size, financial condition, and assessment area credit needs.
- A substantial majority of loans (76.5 percent) and other lending related activities are in the institution’s assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income).
- The geographic distribution of loans reflects an excellent dispersion throughout the assessment area.
- The Bank has not received any CRA-related complaints since the last CRA evaluation.
- A review of the Community Development loans, investments, and services further supports the rating.

SCOPE OF THE EXAMINATION

Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance. These procedures evaluated the Bank's CRA performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, the borrower's profile, the geographic distribution of loans, and response to CRA complaints. The CRA evaluation considered activity since the Bank's CRA evaluation of September 20, 2010. The applicable timeframes for the loan product line reviews are described in the paragraphs that follow.

Washington Savings Bank is primarily a residential lender. Home mortgage lending data analyzed included full-year data from January 1, 2011 through December 31, 2012. Information concerning the home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Bank, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including re-financings, of one-to four-family and multifamily (five or more units) properties. The evaluation emphasizes the Bank's home mortgage lending performance in 2011 as this is the most recent year for which aggregate lending data is available. The Bank's home mortgage lending performance is compared with aggregate HMDA lending data (aggregate lending data), which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated loans in the Bank's assessment areas. The Bank's home mortgage lending performance is also compared with demographic data. Demographic information is from the 2000 U.S. Census for loans originated in 2011, while 2010 U.S. Census is used for 2012 originations. Additionally, the Bank's home mortgage lending for 2012 was analyzed and is referenced in the evaluation to illustrate trends in the Bank's lending data.

PERFORMANCE CONTEXT

Description of Institution

Washington Savings Bank is a mutually owned, state-chartered financial institution established in 1892. The Bank is headquartered at 30 Middlesex Street in Lowell, Massachusetts, a low-income census tract. There is one additional full-service branch located at 100 Broadway Road in Dracut, Massachusetts, a middle-income tract. In November 2012, the Bank closed a branch located at 253 Middlesex Road in Tyngsboro, MA, a middle-income census tract. The Bank also maintains a Loan Center at the Dracut Location.

The primary business focus of Washington Savings Bank is to provide for the credit and deposit needs of the surrounding communities. The Bank offers several consumer and commercial financial services to its customers. This includes: a 24-hour online banking service for account transfers and bill payment, with Quickbooks compatibility for businesses; 24-hour electronic deposit systems for businesses; and a 24-hour telephone branch service allowing customers to check their account status, transfer funds between accounts, and inquire about interest rates and other Bank information. The operating hours of the main office and branch offices are reasonable and convenient.

As of December 31, 2012, assets totaled \$188 million. Total loans as of this date were \$119 million or 63.2 percent of total assets. One-to-four family residential loans accounted for 72.3 percent of the Bank's loan portfolio. Loans secured by residential properties (including Home Equity Lines of Credit and multifamily loans) constitute a majority of the institution's loan portfolio at 97.8 percent.

Table 1 illustrates the current distribution of the Bank's loan portfolio.

Table 1 Washington Savings Bank Loan Distribution as of December 31, 2012		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
Construction, Land and Other Land Loans	3,093	2.6
Secured by Farmland	10,759	9.0
1-4 Family Residential	86,045	72.3
Multi-Family (5 or more) Residential	9,196	7.7
Commercial	7,345	6.2
Total Real Estate Loans	116,438	97.8
Loans to Finance Agricultural Production	180	0.1
Commercial and Industrial	1,996	1.7
Consumer	429	0.4
Total Loans	119,043	100.0

Source: FFIEC Call Report December 31, 2012

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Lowell Five Cents Savings Bank, Enterprise Bank, and Jean D'Arc Credit Union.

Washington Savings Bank was last examined by the Division on September 20, 2010 and received a CRA rating of “High Satisfactory.”

There are no apparent financial or legal impediments that would limit the Bank’s ability to help meet the credit needs of its assessment area. Based upon the Bank’s asset size, product offerings, and branch network, its ability to meet the assessment area’s credit needs remains strong.

Description of the Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Division evaluates an institution’s CRA performance within the defined assessment area. Washington Savings Bank has defined the municipalities of Lowell, Dracut, Tyngsboro, Tewksbury, Chelmsford, Westford, Dunstable, as well as Pelham, New Hampshire, as its assessment area. Pelham is located in Hillsborough County, within the Manchester-Nashua Metropolitan Statistical Area (MSA). All other towns are located in Middlesex County, which is part of the Cambridge-Newton-Framingham MA-MD. The assessment area as currently defined meets the technical requirements of the CRA regulation since it (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state borders, (5) does not reflect illegal discrimination, (6) does not arbitrarily exclude low and moderate income areas.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Based on the 2000 U.S. Census data, the Bank’s assessment area was comprised of 54 census tracts, of which 10 or 18.5 percent are designated as low-income; 14, or 25.9 percent, as moderate-income; 23, or 42.6 percent as middle-income; and 7 or 13.0 percent, as upper-income.

New data based upon the 2010 Census revealed change to the distribution of census tracts within the Bank’s assessment area. The 54 census tracts are now distributed as follows: 7 or 13.0 are low-income census tracts, 16 or 29.6 percent are moderate-income census tracts, 22 or 40.7 percent are middle-income census tracts, and 9 or 16.7 percent are upper-income census tracts.

Based on 2000 U.S. Census data, the total population of the assessment area is 242,016 individuals. Of the total population within the assessment area, 12.8 percent reside in low-income tracts, 27.2 percent of the population resides in moderate-income tracts, 47.5 percent reside in middle-income census tracts, and 12.5 percent reside in upper-income tracts. Households total 86,350, of which 24.4 percent are low-income; 17.0 percent moderate-income; 20.3 percent middle-income; and 38.3 percent upper income (the largest segment).

Providing further insight into the demographic composition of the assessment area population is the number of families at each income level. According to the 2000 census data, of the 61,712 families in the assessment area, 23.6 percent are low-income, 20.9 percent are moderate income, 23.4 percent are middle income, and 32.1 percent are upper income. Additionally, 6.7 percent of

the assessment area families are below the poverty level. The HUD adjusted Median Family Income ("MFI") for the assessment area was \$105,000 in 2011 and \$106,400 for 2012. The Department of Housing and Urban Development publishes annual estimates of median family income that are adjusted for inflation and other economic events.

Housing units within the assessment area total 89,334, of which 57,537 or 64.4 percent are owner-occupied, and 28,652 or 32.1 percent are rental units. Of the owner-occupied units within the assessment area, 3.9 percent are located in low-income census tracts, 21.1 percent are in moderate-income census tracts, 58.9 percent are in middle-income tracts, and 16.1 percent are in upper-income tracts. A total of 3.3 percent are vacant units.

Community Contact

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the general banking needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and service needs of the communities, and what further opportunities, if any, are available.

A community contact was referenced with a quasi-public non-profit organization involved in the economic revitalization of Lowell. The organization focuses on providing secondary financing for the rehabilitation and restoration of downtown buildings. The contact emphasized one of the largest issues in the community is the quality of housing. When properties are not cared for, it leads to increased social problems. There are opportunities for local financial institutions to contribute to rehabilitation projects in the area to help address these issues.

The contact noted local financial institutions, including Washington Savings Bank, are very involved in the community.

PERFORMANCE CRITERIA

1. LOAN-TO-DEPOSIT ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's net LTD ratio is 81.9 percent as of December 31, 2012. A comparative analysis of the Bank's quarterly net LTD ratios for the last 9 quarters since the prior CRA evaluation was conducted. The review encompassed the quarters ending December 31, 2010 through December 31, 2012. These ratios are based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits.

The Bank's average quarterly net LTD ratio over the period reviewed was 75.5 percent and is considered reasonable. The net LTD ratio has fluctuated over the last 9 quarters from a high of 81.9 percent as of December 31, 2012 to a low of 70.0 percent as of March 31, 2012. During this timeframe, net loans have increased by 18.2 percent and deposits have increased 8.5 percent.

For comparison purposes, the Bank's average net LTD ratio was compared against the average net LTD ratios of four institutions located in Lowell. Although these institutions have different asset sizes, they are considered to be main competition of Washington Savings Bank.

Table 2		
Peer Group Loan-to-Deposit Comparison		
Bank Name	Total Assets as of 12/31/12	Net Loan-to-Deposit Ratio 12/30/12
Washington Savings Bank	\$188 million	81.9%
Enterprise Bank	\$1.7 billion	90.5%
Lowell Co-operative Bank	\$208 million	80.6%
Jean D'Arc Credit Union	\$1.0 billion	76.5%
Lowell Five Cents Savings Bank	\$826 million	73.8%

Source: FFIEC Report of Condition and Income (Call Reports)

As shown in Table 2, the peer institutions' average net LTD ratios ranged between 73.8 percent and 90.5 percent. At 81.9 percent, the Bank's average net LTD is higher than most of its competitors.

The Bank is selling loans in the secondary market. During 2010, 2011, and 2012, the Bank sold 370 loans totaling \$76.7 million. The loans were sold to the Federal Home Loan Bank.

Based on the above information and the Bank's capacity to lend, the loan products available at the Bank, and the lending opportunities available, the Bank's loan-to-deposit ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

This performance criterion determines what percentage of the Bank's lending occurs within the Bank's assessment area and evaluates its appropriateness. Based on a review of home loan data,

a substantial majority of the Bank's lending activity occurs within the institution's assessment area.

Table 3 illustrates the Bank's record of extending residential mortgage loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 3										
Distribution of HMDA Loans Inside and Outside of the Assessment Area										
Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
2011	146	76.8	44	23.2		25,133	71.0	10,263	29.0	
2012	250	76.2	78	23.8		48,876	72.6	18,456	27.4	
Total	396	76.5	122	23.5		74,009	72.0	28,719	28.0	

Source: 2011 and 2012 HMDA LARs

As shown in Table 3, the Bank originated 76.5 percent of its HMDA reportable loans totaling \$74 million or 72.0 percent in the assessment area during the evaluation period. Total loans from 2011 to 2012 increased by 72 percent while in the assessment area for the same time period, the Bank's loans increased by 71.2 percent. By dollar volume, the Bank's total loans increased 90 percent, while inside the assessment area the dollar volume increased 94.5 percent. This had to do with the historically low rate environment and the high demand for refinancing.

Based on the Bank's level of lending in the assessment area, the Bank's responsiveness to credit needs is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The distribution of loans by borrower income was reviewed to determine the extent to which the Bank is addressing the credit needs of the assessment area's low- and moderate-income residents. The borrowers' reported incomes for 2011 and 2012 were compared to the median family incomes for the assessment area. The income figures are based on estimated HUD information.

The income figures are based on median family income derived from data collected during the census for the respective MSA. The income figures are adjusted annually by the Department of Housing and Urban Development to allow for such factors as inflation.

The distribution of loans by borrower income was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents. The Bank achieved a good penetration of loans among borrowers of different income levels based on the area's demographics and a comparison to aggregate lending data. Refer to Table 4 for information concerning the distribution of home loans by borrower income.

The following table presents the loans originated and categorized by the applicants' reported income in relation to the median family income for the MSA in which the property is located. The following table also presents the Bank's HMDA reportable lending performance as well as the 2011 aggregate data (exclusive of Washington Savings Bank).

Table 4 Distribution of HMDA Loans by Borrower Income							
Median Family Income Level	% Family Distribution Income Level (2000 Census Data)	2011 Bank Lending Data		2011 Aggregate Lending Data		2012 Bank Lending Data	
		#	%	#	%	#	%
Low	23.6	21	14.4	1,277	11.6	28	11.2
Moderate	20.9	37	25.3	2,235	20.3	59	23.6
Middle	23.4	38	26.0	2,929	26.7	84	33.6
Upper	32.1	33	22.6	2,697	24.5	65	26.0
N/A	-	17	11.7	1,857	16.9	14	5.6
Total	100.0	146	100.0	10,995	100.0	250	100.0

Source: 2000 U.S. Census Data; 2011 and 2012 HMDA LARs; 2011 HMDA Aggregate Data

As shown in Table 4, the percentage of home loans originated by the Bank to low-income borrowers during 2011 at 14.4 percent is slightly higher than the percentage of loans reflected in the aggregate data for the same income category and time period at 11.6 percent. While the Bank's lending performance to low-income borrowers is lower than the percentage of low-income families in the assessment area (23.6 percent), parity is not expected considering the poverty level and housing costs in the assessment area. During 2012, the Bank's lending to low-income applicants remained strong at 11.2 percent. Although the percentage is lower than 2011 lending, new Census data for 2010 indicates the percentage of low-income families also decreased to 19.5 percent

In 2011, the Bank's lending to moderate-income borrowers at 25.3 percent is above the percentage of lending to moderate-income borrowers at 20.3 by the aggregate. The Bank's performance was higher than the percentage of families in the moderate-income assessment area (20.9 percent). Further analysis for 2012 indicated the Bank granted 23.6 of its originations to moderate-income borrowers, which is higher than the 2010 U.S. Census Data of moderate-income families (17.9 percent).

Based on the above information, the loan distribution by borrower income exceeds the standards of satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. As mentioned previously under the Description of Assessment Area, the Bank's assessment area comprises 54 census tracts. The 2000 U.S. Census Data, which is used to compare the 2011 HMDA data is as follows: 10 (18.5 percent) low-income; 14 (25.9 percent) moderate-income; 23 (42.6 percent) middle-income; and 7 (13.0 percent) upper-income. The 2010 U.S. Census Data, which is used for 2012 HMDA data is as follows: 7 (13.0 percent) low-income; 16 (29.6 percent) moderate-income; 22 (40.7 percent) middle-income; and 9 (16.7 percent) upper-income.

Table 5 illustrates the geographic distribution of the Bank's 2011 and 2012 residential mortgage lending within the assessment area by number. For comparison purposes, the table includes the percentage of owner-occupied housing units for the 2000 U.S. Census data within each income category and the aggregate market lending data for 2011.

Table 5 Distribution of HMDA Loans by Census Tract Income							
Census Tract Income Level	% Owner- Occupied Housing Units	Bank Lending Data 2011		Aggregate Lending Data 2011		Bank Lending Data 2012	
		#	%	#	%	#	%
Low	18.5	10	6.9	349	3.2	8	3.2
Moderate	25.9	50	34.2	1,658	15.1	67	26.8
Middle	42.6	82	56.2	6,450	58.6	149	59.6
Upper	13.0	4	2.7	2,538	23.1	26	10.4
Total	100.0	146	100.0	10,995	100.00	250	100.0

Source: 2000 U.S. Census; 2011 and 2012 HMDA LARs; 2011 HMDA Aggregate Data

During 2011, the Bank made 6.9 percent of its total loans in low-income census tracts. This is below the 18.5 percent of owner-occupied housing units located in those tracts. Also during 2011, Washington Savings Bank originated 34.2 percent of its loans in moderate income tracts. This percentage is above the percentage of owner-occupied properties located in the moderate-income tracts.

The Bank's lending in low- and moderate-income census tracts was also compared to the aggregate for 2011. As shown above, the Bank's lending exceeds aggregate lending in low-income census tracts in 2011. Likewise, the Bank's lending in moderate-income census tracts exceeded that of the aggregate's lending. The Bank originated 6.9 percent of its loans in low-income census tracts compared to the aggregate at 3.2 percent. The Bank originated 34.2 percent of its loans in moderate-income census tracts while the aggregate originated 15.1 percent.

For trend analysis, in 2012 the Bank originated 3.2 percent of its HMDA loans in low-income census tracts and 26.8 percent in moderate-income census tracts. Although the percentages are lower than 2011 data, the 2010 U.S. Census designations have changed and include only 7 low-income tracts compared to 10 for 2000 U.S. Census data.

In conclusion, the Bank has an excellent dispersion among the various census tract geographies and exceeds the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Response to CRA Complaints

The Bank received no CRA-related complaints during the evaluation period.

Washington Savings Bank's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 2.3-101, the Division's

Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted. There was no evidence of disparate treatment in the file review.

Specific areas pertaining to prohibited activity, advertising practices, loan review, training, policy review, the Bank's loan application process, and regulations pertaining to the Equal Credit Opportunity Act, Fair Housing Act, and the Home Mortgage Disclosure Act are discussed in the Bank's loan policy.

The Bank takes a proactive approach to fair lending. All employees are provided with training appropriate to their job description and responsibilities in fair lending issues.

MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 242,016 individuals, of which 19.6 percent are ethnic and racial minorities. The assessment area's minority and ethnic population is 1.8 percent Black/African American, 8.9 percent Asian/Pacific Islander, 0.1 percent American Indian, 6.8 percent Hispanic or Latino and 2.0 percent other. This information is compared to the 2011 Bank information.

Data used for 2012 information is compared to the 2010 U.S. Census Data. According to the demographics, the Bank's assessment area contained a total population of 248,058 individuals, of which 26.5 percent are ethnic and racial minorities. The assessment area's minority and ethnic population is 3.2 percent Black/African American, 12.0 percent Asian/Pacific Islander, 0.1 percent American Indian, 8.8 percent Hispanic or Latino and 2.4 percent other.

For 2011 and 2012, the Bank received 551 HMDA reportable loan applications from within its assessment area. Of these applications, 42 or 7.6 percent were received from minority applicants, of which 26 or 61.9 percent resulted in originations. The Bank also received 9 applications from ethnic groups of Hispanic origin within its assessment area, of which 6 or 67 percent were originated.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2011. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the table below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

MINORITY APPLICATION FLOW								
RACE	Bank 2011		2011 Aggregate Data		Bank 2012		Bank TOTAL	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	0	0.0	19	0.1	1	0.3	1	0.2
Asian	7	3.7	1,336	9.0	25	6.9	32	5.8
Black/ African American	4	2.1	153	1.0	2	0.6	6	1.1
Hawaiian/Pac Isl.	0	0.0	15	0.1	1	0.3	1	0.2
2 or more Minority	0	0.0	3	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	0	0.0	128	0.9	2	0.6	2	0.3
Total Minority	11	5.8	1,654	11.1	31	8.7	42	7.6
White	153	80.1	9,603	64.7	303	84.1	456	82.8
Race Not Available	27	14.1	3,582	24.2	26	7.2	53	9.6
Total	191	100.0	14,839	100.0	360	100.0	551	100.0
ETHNICITY								
Hispanic or Latino	1	0.5	274	1.8	8	2.2	9	1.6
Not Hispanic or Latino	163	85.3	10,898	73.5	322	89.5	485	88.0
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	130	0.9	4	1.1	4	0.8
Ethnicity Not Available	27	14.2	3,537	23.8	26	7.2	53	9.6
Total	191	100.0	14,839	100.0	360	100.0	551	100.0

Source: 2011 and 2012 HMDA/ LAR, 2011 HMDA Aggregate Data

The Bank's performance was below the 2011 aggregate's performance level for both minority and ethnicity. The Bank received 5.8 percent for minorities while the aggregate was 11.1 percent. The percentage of Hispanic applications was 0.5 percent while the aggregate was 1.8 percent. Furthermore, for 2011 the Bank approved 64 percent of its minority applications compared to 69 percent of the aggregate.

QUALIFIED LENDING INVESTMENTS AND SERVICES

At the request of Bank management, examiners reviewed the Bank's community development loans, investments, and services for CRA purposes. A qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low- and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. The evaluation of services includes the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Community development services must relate to the provision of financial services.

Community Development Loans

A review of community development lending during the examination period was conducted. Washington Savings Bank has financed four community development loans since the previous examination totaling \$871,563.

In November of 2011, the Bank participated in a small business loan pool with the Lowell Development Finance Corp (LDFC), the Department of Housing and Urban Development and seven area banks and credit unions. The joint effort between the LDFC and local institutions is

aimed at the revitalization of Lowell's downtown area by providing financing to small businesses. The Bank has provided \$42,195 in financing to the project. According to 2010 census demographic data, 92.0 percent of the census tracts in the City of Lowell are low- and moderate-income.

In May of 2012, the Bank renewed and extended its portion in a community development loan, originated in 2006. The Bank renewed a \$97,703 construction line of credit, also through the LDFC. The participation agreement is with six other financial institutions to finance the construction of 180 units, 81 of which are earmarked for low- and moderate-income individuals and families.

In August of 2012, the Bank made a \$3.0 million loan for the purchase and construction of an affordable townhouse condominium project. Of the 26 units to be constructed, 4 or 15.4 percent are affordable, making the qualified portion of the Bank's loan \$473,165. The town is adjacent to the Bank's assessment area.

In 2012, the Bank renewed a line of credit originally provided in 2008 in conjunction with the construction and development of a 40B project in the assessment area. The original project was for the development of 16 units, 4 affordable. In May of 2011, the Bank provided a \$258,500 line of credit for the completion of the project.

Investments and Services

The Bank's investments for 2011 and 2012 consisted of monetary contributions to local community organizations.

Contributions were granted over the time period reviewed to several charitable organizations that met the definition of community development. Organizations included Consumer Credit Counseling Services, Merrimack Valley Housing Partnership, The Lowell Wish Project, the Lowell Transitional Living Center, the SHIFT Coalition to Prevent Homelessness, and the Alternative House, a refuge for at-risk children. The Bank has granted qualified CRA contributions of approximately \$29,500 during the examination period. This reflects 53.6 percent of total contributions made by Washington Savings Bank.

Officers, directors, and employees are involved with community organizations that address economic and affordable housing development. Through these involvements, the Bank's staff lends their technical expertise, experience and judgment to these organizations. Following are some examples:

- A Branch Manager serves on the Board of Alternative House, an organization in Lowell to assist impoverished, homeless, or abused youth.
- A Loan Officer serves as Vice Chair on the Wish Project Board, an organization purposed to provide low-income families with used and donated goods, such as furniture, clothing, and cooking utensils.
- A Branch Manager serves on the Board of the Greater Lowell Salvation Army.

- The President & CEO Serves on the Executive Committee of the Lowell Development Financial Corporation, a non-profit development corporation created to assist in the economic revitalization of downtown Lowell. He also serves as the Treasurer of the Big Brothers/Big Sisters program in Lowell. Additionally, the President is a Corporator of the Lowell General Hospital.
- The Vice President of Compliance serves on the Board of Bruyere Gardens, an affordable living community for low-income seniors.

The Bank also participates in local programs to assist in the extension of credit and services to the low- and moderate-income community. The following are some examples:

MVHP Home Buyer Training Courses: Merrimack Valley Housing Partnership (MVHP), an affordable housing organization in Lowell, holds several Home Buyer Training Classes each year. The program utilizes professionals within the community as instructors, each class covering a different aspect of process of purchasing a home, from application to closing. Seminars are held in Spanish and Khmer as well as English. The Bank teaches the mortgage overview portion of the seminar.

During 2012, the Bank was awarded down payment assistance funds under the Federal Home Loan Bank of Boston's Equity Builder Program. Under the program, the Bank was awarded \$100,000 on a first come first served basis for first time home buyers. The Bank originated four loans totaling \$40,000 during 2012 through this program.

MCBC Basic Banking for Massachusetts: The Bank's checking and savings accounts meet the criteria of the Massachusetts Community and Banking Council's (MCBC) Basic Banking guidelines.

APPENDIX A

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 30 Middlesex Street, Lowell, MA 01852."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.